

LANDFILL OF NORTH IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS

December 31, 2013

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 7
FINANCIAL STATEMENT	
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	8
Notes to Financial Statement	9 – 13
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	14 – 15
SCHEDULE OF FINDINGS	16 – 17

LANDFILL OF NORTH IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Byron Ruiter	Board Chairman*	City of Forest City
David Abele	Board Member*	City of Klemme
John Waddingham	Board Member*	Franklin County
Robert Amosson	Board Member	Cerro Gordo County
Herbert Thompson	Board Member	City of Kensett
Joey Dickman	Board Member	City of Meservey
Buck Leake	Board Member	City of Manly
Roger Rustad	Board Member	City of Northwood
Charles Meyers	Board Member	City of Plymouth
Mark Brosz	Board Member	City of Rock Falls
Kenny Nielsen	Board Member	City of Rockwell
Paula Lubkeman	Board Member	City of Sheffield
George Simpson	Board Member	City of Ventura
Robert Michaelis	Board Member	City of Hanlontown
Jolene Nohrenberg	Board Member	City of Popejoy
Joy Baker	Board Member	City of Thornton
Marge Swenson	Board Member	City of Swaledale
Tony Nelson	Board Member	City of Clear Lake
Lon Allan	Board Member	City of Coulter
Mary Nagel	Board Member	City of Dougherty
Raymond Silver	Board Member	City of Geneva
Colten Harper	Board Member	City of Hansel
Marloe Ellingson Jr.	Board Member	City of Joice
Dan Torreson	Board Member	City of Latimer
Scott Tornquist	Board Member	City of Mason City
Russell Morgan	Board Member	City of Hampton
George Andersen	Board Member	City of Nora Springs
Jack Venechuk	Board Member	City of Grafton
Randy Lansing	Board Member	City of Garner
William Rowland	Director	

* - Executive Committee member

WILLIAMS & ASSOCIATES, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT W. WILLIAMS, CPA
LORI B. JORGENSEN, CPA
PATRICK R. KRUCKENBERG, CPA

1002 EAST STATE STREET – SUITE B
MASON CITY, IOWA 50401
(641) 423-3180 FAX (641) 423-8568

MICHAEL R. BAKER, CPA
MARGARET J. PFANNES, CPA
SARAH J. MCCHESENEY, CPA

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Landfill of North Iowa

We have audited the accompanying financial statement of the Landfill of North Iowa as of and for the year ended December 31, 2013, and the related notes to financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Landfill's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Landfill of North Iowa as of December 31, 2013 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 4 through 7, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2014 on our consideration of the Landfill of North Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Landfill of North Iowa's internal control over financial reporting and compliance.

Williams & Associates, P.L.C.

Williams & Associates, P.L.C.
Certified Public Accountants

Mason City, Iowa
March 7, 2014

LANDFILL OF NORTH IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Landfill of North Iowa provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Landfill of North Iowa is for the year ended December 31, 2013. We encourage readers to consider this information in conjunction with the Landfill's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 4.3%, or approximately \$135,000 from fiscal year 2012 to fiscal year 2013.
- Operating disbursements decreased approximately \$131,000 or 5.9% from fiscal year 2012 to fiscal year 2013.
- The Landfill's cash balance decreased 9.7%, or approximately \$967,000 from December 31, 2012 to December 31, 2013. The large decrease in the cash balance was due to construction costs related to a new cell.

USING THIS ANNUAL REPORT

The Landfill has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under the cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Landfill of North Iowa's financial statement. The annual report consists of a financial statement and other information as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Landfill's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Landfill's operating receipts and disbursements, non-operating receipts and disbursements and whether the Landfill's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

LANDFILL OF NORTH IOWA

FINANCIAL ANALYSIS OF THE LANDFILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of this statement is to present the receipts received by the Landfill and the disbursements paid by the Landfill, both operating and non-operating. The statement also presents a financial snapshot of the Landfill's cash balance at year end. Over time, readers of the financial statement are able to determine the Landfill's cash basis financial position by analyzing the increase and decrease in the Landfill's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from members of the Landfill. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements include interest on investments, and capital improvements. A summary of cash receipts, disbursements and changes in net assets for the years ended December 31, 2013 and 2012 is as follows:

Changes in Cash Balance

	2013	2012
OPERATING RECEIPTS:		
Tipping fees and gate charges	\$ 2,835,235	\$ 2,946,167
City and county membership fees	92,606	92,606
Woodchip sales	19,500	13,200
RCC reimbursements	70,257	98,781
Miscellaneous	7,171	8,925
Total operating receipts	<u>\$ 3,024,769</u>	<u>\$ 3,159,679</u>
OPERATING DISBURSEMENTS:		
Salaries and benefits	1,000,152	972,012
Insurance	44,612	45,721
Supplies	52,494	50,865
Promotion	40,137	43,043
Professional fees	171,009	227,261
Fuel	143,099	154,647
Utilities	37,999	31,510
Building maintenance	40,915	24,772
Daily cover	25,915	32,498
Monitoring and analysis	40,604	35,535
Recycling	70,329	75,793
Hazardous waste disposal	123,958	78,441
Equipment repairs and maintenance	87,322	109,026
Department of Natural Resources tonnage fee	170,942	265,561
Miscellaneous	25,686	59,862
Total operating disbursements	<u>\$ 2,075,173</u>	<u>\$ 2,206,547</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 949,596</u>	<u>\$ 953,132</u>

LANDFILL OF NORTH IOWA

Changes in Cash Balance (continued)

NON-OPERATING RECEIPTS (DISBURSEMENTS)

Interest income	\$ 42,121	\$ 46,213
Land rent	3,060	3,060
Proceeds from sale of equipment	5,200	52,439
Capital improvements - equipment	(560,049)	(501,738)
Capital improvements - buildings	(55,182)	(220,275)
Capital improvements – new cell	(1,351,693)	--
Net non-operating disbursements	<u>\$ (1,916,543)</u>	<u>\$ (620,301)</u>
CHANGE IN CASH BALANCE	\$ (966,947)	\$ 332,831
CASH BALANCE BEGINNING OF YEAR	<u>9,955,220</u>	<u>9,622,389</u>
CASH BALANCE END OF YEAR	<u>\$ 8,988,273</u>	<u>\$ 9,955,220</u>
	=====	=====

In fiscal 2013, operating receipts decreased by \$134,910, or 4.3%. This decrease was primarily a result of gate fees decreasing by \$110,932 due to a decrease in waste received. In fiscal 2013, operating disbursements decreased by \$131,374, or 5.9%, from fiscal 2012 due in part to a decrease in tonnage fees.

A portion of the Landfill's net assets, \$5,329,052 (59.3%) is restricted for closure and postclosure care. State and federal laws and regulations require the Landfill to place a final cover on the Landfill site and perform certain maintenance and monitoring functions at the Landfill site for a minimum of thirty years after closure. The remaining net assets, \$3,659,221 (40.7%) are unrestricted net assets that can be used to meet the Landfill's obligations as they come due. \$1,219,570 of these unrestricted funds has been designated by the Board of Directors to be used for specific purposes and are maintained in the following accounts:

Capital Improvement Fund	\$ 406,235
Equipment Fund	<u>813,335</u>
	<u>\$ 1,219,570</u>
	=====

LONG-TERM DEBT

At December 31, 2013, the Landfill had no long-term debt outstanding.

ECONOMIC FACTORS

The Landfill of North Iowa continues to maintain a strong cash position. The decrease in gate receipts and current condition of the economy continue to be a concern for Landfill officials. Some realities which may potentially become challenges for the Landfill to meet are:

- Facilities and related equipment require constant maintenance and replacement.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. The annual deposits for closure and postclosure care will greatly increase with the opening of a new cell.

LANDFILL OF NORTH IOWA

- The Landfill's need to expand its current facility resulting in not only the cost of this expansion but also increased closure and postclosure cost considerations.
- The requirements of federal and state regulations and the increasing costs of compliance.

CONTACTING THE LANDFILL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Landfill's finances and to show the Landfill's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Landfill at 15942 Killdeer Avenue, Clear Lake, IA 50428 or by calling 641-357-5452.

LANDFILL OF NORTH IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCE

Year Ended December 31, 2013

OPERATING RECEIPTS	
Tipping fees and gate charges	\$ 2,835,235
City and county membership fees	92,606
Woodchip sales	19,500
RCC reimbursements	70,257
Miscellaneous	7,171
Total operating receipts	<u>3,024,769</u>
OPERATING DISBURSEMENTS	
Salaries and benefits	1,000,152
Insurance	44,612
Supplies	52,494
Promotion	40,137
Professional fees	171,009
Fuel	143,099
Utilities	37,999
Building maintenance	40,915
Daily cover	25,915
Monitoring and analysis	40,604
Recycling	70,329
Hazardous waste disposal	123,958
Equipment repairs and maintenance	87,322
Department of Natural Resources tonnage fee	170,942
Other	25,686
Total operating disbursements	<u>2,075,173</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>949,596</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest income	42,121
Land rent	3,060
Proceeds from sale of equipment	5,200
Capital improvements - equipment	(560,049)
Capital improvements - buildings	(55,182)
Capital improvements - new cell	(1,351,693)
Net non-operating receipts (disbursements)	<u>(1,916,543)</u>
CHANGE IN CASH BALANCE	(966,947)
CASH BALANCE BEGINNING OF YEAR	<u>9,955,220</u>
CASH BALANCE END OF YEAR	<u><u>\$ 8,988,273</u></u>
CASH BASIS FUND BALANCE	
Restricted for:	
Closure	\$ 3,187,570
Post closure care	2,141,482
Total restricted net assets	<u>5,329,052</u>
Unrestricted	3,659,221
TOTAL CASH BASIS FUND BALANCE	<u><u>\$ 8,988,273</u></u>

See Notes to Financial Statement

LANDFILL OF NORTH IOWA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 1. Summary of Significant Accounting Policies

The Landfill of North Iowa is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Landfill is to provide for the economic disposal of all solid waste produced or generated within each member city, town, and unincorporated portions of North Central Iowa. The governing body of the Landfill is composed of one representative from each member. The number of votes for each member is based upon the population of the member city, town or unincorporated area.

Reporting Entity

For financial reporting purposes, the Landfill has included all funds, organizations, account groups, boards, commissions and authorities. The Landfill has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Landfill are such that exclusion would cause the Landfill's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Landfill to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Landfill. The Landfill of North Iowa has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Landfill are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal outgoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Landfill of North Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Landfill is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items including the estimated payables for closure and post-closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Landfill in accordance with generally accepted accounting principles.

Restricted Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care are classified as restricted.

LANDFILL OF NORTH IOWA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 2. Pension and Retirement Benefits

The Landfill of North Iowa contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Landfill is required to contribute 8.67% of annual payroll. Contribution requirements are established by State statute. The Landfill's contribution to IPERS for the years ended December 31, 2013, 2012 and 2011 were \$58,652, \$51,521 and \$43,437 respectively, equal to the required contributions each year.

Note 3. Cash and Investments

The Landfill's deposits at December 31, 2013 were covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Landfill is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Landfill; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 4. Closure and Postclosure Care Cost

To comply with Federal and State regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and landfill gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

LANDFILL OF NORTH IOWA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 4. Closure and Postclosure Care Cost (continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Landfill have been estimated to be \$3,187,570 for closure and \$2,100,000 for postclosure care for a total of \$5,287,570.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Landfill has begun to accumulate resources to fund these costs and, at December 31, 2013, assets of \$5,329,052 are restricted for these purposes. They are reported as restricted net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14(3) of the Iowa Administrative Code (IAC), the Landfill is required to demonstrate financial assurance for any unfunded costs. The Landfill has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Landfill must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 5. Solid Waste Tonnage Fees Retained

The Landfill retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At December 31, 2013, the Landfill had no unspent tonnage fees.

LANDFILL OF NORTH IOWA
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 6. Risk Management

The Landfill is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 645 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The Landfill's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Landfill's annual contributions to the Pool for the year ended December 31, 2013 were \$44,612.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of December 31, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

LANDFILL OF NORTH IOWA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Note 6. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 7. Compensated Absences

Landfill employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Landfill until used or paid. The Landfill's approximate liability for earned vacation payments at December 31, 2013 was \$9,714. This liability has been computed based on rates of pay in effect at December 31, 2013.

Note 8. Major Customers

During the year ended December 31, 2013, the Landfill received approximately 39% of its gate receipts from the following major customers:

Customer A	\$572,844
Customer B	520,384

Note 9. Designated Funds

The Landfill maintains designated funds in separate investment accounts which are identified for specific purposes, as follows:

Capital Improvement Fund	\$ 406,235
Equipment Fund	<u>813,335</u>
	\$ 1,219,570
	=====

Note 10. Subsequent Events

Management has evaluated subsequent events through March 7, 2014, the date which the financial statements were available for issue.

WILLIAMS & ASSOCIATES, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT W. WILLIAMS, CPA
LORI B. JORGENSEN, CPA
PATRICK R. KRUCKENBERG, CPA

1002 EAST STATE STREET – SUITE B
MASON CITY, IOWA 50401
(641) 423-3180 FAX (641) 423-8568

MICHAEL R. BAKER, CPA
MARGARET J. PFANNES, CPA
SARAH J. MCCHESENEY, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the
Landfill of North Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller of the United States, the financial statement of the Landfill of North Iowa as of and for the year ended December 31, 2013, and the related Notes to Financial Statement, and have issued our report thereon dated March 7, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Landfill's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control. Accordingly, we do not express an opinion on the effectiveness of the Landfill's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency exists in internal control when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the financial statement will not be prevented or detected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Landfill of North Iowa's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Landfill's operations for the year ended December 31, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statement of the Landfill. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Landfill of North Iowa's Response to Findings

The Landfill of North Iowa's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit those responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Landfill's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Landfill's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Landfill of North Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Associates, P.L.C.

Williams & Associates, P.L.C.
Certified Public Accountants

Mason City, Iowa
March 7, 2014

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

13-A Segregation of Duties

Criteria – Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected and corrected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition – The Landfill has a limited number of office personnel and, accordingly, does not have adequate segregation of duties in certain areas due to this condition.

Cause – The Landfill cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

Effect – As result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Recommendation – The Landfill has added many mitigating controls in recent years to limit exposure to this risk. These controls should be utilized to review financial activity to ensure financial reports are accurate and assets are properly safeguarded.

Response – The Landfill recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to its size. However, the entity is aware of the condition and will continue to monitor and implement compensating controls.

Other Findings Related to Statutory Reporting:

13-1 Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-2 Travel Expenses – No expenditures of money for travel expenses of spouses of Landfill officials or employees were noted.

13-3 Landfill Board Minutes – No transactions were found that we believe should have been approved in the minutes but were not.

13-4 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted except as follows:

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2013

Other Findings Related to Statutory Reporting (continued):

13-5 Solid Waste Fees Retainage – During the year ended December 31, 2013, the Landfill used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

13-6 Financial Assurance – For the year ended December 31, 2013, the Landfill has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The amount the Landfill has restricted for closure and postclosure care at December 31, 2013 exceeds the estimated total costs and, accordingly, the costs are fully funded.

Total estimated costs for closure and postclosure care	\$ 5,287,570
	=====
Amount the Landfill has restricted and reserved for closure and postclosure care at December 31, 2013	\$ 5,329,052
	=====